

**Statement of Robert V. Colangelo**  
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&  
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To the Honorable Members of the House Government Reform Subcommittee on Federalism and the Census, September 13, 2005: *Brownfields and the Fifty States: Are State Incentive Programs Capable of Solving America's Brownfields Problem?*"

Dear Senators and Representatives,

It is a pleasure to address those members of Congress most interested in improving state financial incentive programs related to the complex issue of brownfield redevelopment. Thank you for providing me with the opportunity to testify at this congressional hearing.

I come here today offering two perspectives ~ one as the founder of a private development company that has successfully redeveloped more than a million square feet of brownfield property in the Chicago area; and the other as the Executive Director of the National Brownfield Association, the only international organization that is dedicated to promoting the responsible redevelopment of brownfields. The NBA, with more than 900 members, has a broad base of public and private sector professionals including representatives from federal, state and local governments, developers and investors, property owners, and professional service providers ~ all of whom redevelop brownfields in the United States, Canada and the UK.

My experience as a private sector developer is that state brownfield programs offer three levels of assistance: liability relief, financial incentives, and technical assistance. Most developers who purchase impaired properties have come to rely heavily on the liability relief offered through state voluntary cleanup programs. Typically available in the form of a state-issued comfort letter, developers can secure a defined relief from future environmental actions, giving them the ability to secure debt financing to be used for site acquisition.

Technical assistance and financial incentives, while great ideas, are often impractical for most private developments. Often these incentives are considered as an afterthought because of the perceived difficulties in securing them and the small amount of assistance typically available within a program in relation to project costs. It is my experience that most financial incentives go directly to cities or non-profit development corporations and indirectly flow to private sector projects. The limited amount of program funds or technical assistance that is available to the private sector comes at a great cost and often requires an intense investment of time and the use of expensive consultants to help navigate through program eligibility requirements and properly complete an application for submittal. Most developers will pass on a brownfield site rather than take a chance on a project that will only work if government incentives are secured.

Most state incentive programs provide little cost benefit to private sector developers. The exception to this rule is the use of Tax Increment Financing (TIF) and state Tax Credit programs. These

incentives have worked well, provide enough funds to make the project work, and are attractive enough to convince private sector developers and investors to take the risk on a brownfield project.

As time goes on, fewer easy-to-develop brownfield sites are available in major urban markets. Increasingly, cities are left with the harder, more complicated brownfield sites and these sites will require meaningful government incentives if the public sector is to continue to attract private sector investment and developer interest. The challenge to every government is to be developer friendly without be overly developer friendly. Brownfield sites by their definition require incentives to bring them to par with unimpaired properties. For government incentives to be meaningful to the private sector, programs should:

- Be easy to understand and administer
- Apply to a wide type of projects
- Allow flexibility in the use of funds
- Provide funding to be meaningful and that is cost beneficial to the application process and project size
- Allow for unused funds to be transferable or refunded

As Executive Director of the NBA, I would like to introduce our recently completed analysis of state brownfield and voluntary cleanup programs (VCPs). This paper presents our recommendations for which program elements work best to promote cleanup and redevelopment. This paper is a result of our annual Brownfield Leadership Summit held in Washington, D.C., in May 2005. We recommend four key program elements be considered when looking at state brownfield or VCP programs:

- Environmental closure and liability clarity
- Adequate agency resources
- Cleanup goals to protect human health and the environment
- Financial incentives to meet brownfield needs

Although no single state program has all program elements, a number of states have been creative in developing specific program elements that work well. When designing incentive programs, we encourage you to consider the recommendations provided in this paper and support the creation of a federal brownfield Tax Credit Program that would allow for demolition and remediation expenses to earn a federal tax credit. The use of a brownfield Tax Credit Program has been an important incentive that has worked well in New York, Michigan, and other states. These programs have been a powerful incentive for cities, developers and parties facing brownfield liability to transform those sites into job-producing economic developments and to attract private sector investment.

Members of Congress are to be commended for their willingness to consider and promote new financial incentives that attract private sector investment to these properties.

Thank you for the opportunity to speak, and I look forward to your questions.